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# ECONOMIC AND POLITICAL PROBLEMS OF SOUTHEAST ASIA

Dr. William C. Johnstone, Jr.

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Reviewed by Col R. W. Bergamyer, USAF on 17 May 1964

INDUSTRIAL COLLEGE OF THE ARMED FORCES

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31 March 1964

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Reporter: Corse R. O'Donnell

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COLONEL SMITH: Gentlemen: We have such an impressive array of visitors with our students today that I think I should tell you about our outsider rating here at ICAF.

You've heard about Cooper ratings and Nielsen ratings. We rate our speakers here by the number of outsiders they attract to our auditorium. Five outsiders is a pretty good rating. Ten is really topnotch.

In Dr. Johnstone's case we had to do it in pages. We have a two-page rating for Dr. Johnstone.

Without any further conversation, sir, we welcome you to the College and present you to the Class of 1964.

DR. JOHNSTONE: Thank you very much. I am very pleased to be here and to attempt the impossible of discussing, according to the scope of this lecture, the economic and political developments in Southeast Asia, the chances of a Red China threat, and the importance of the area to the free world. I think there are a couple other things in this scope, too. I'm going to try it and do the very best that I can.

At the start I would like to try to get a framework for this discussion. We are interested in two or three things. We are interested, obviously, in the economic potential and actual of the nine countries in Southeast Asia. I would like to suggest two or three essential

elements for consideration in looking at present and future economic potentiall.

Obviously, as I am sure you know, there is an overdependence of Southeast Asian economies and their labor force on the export of primary agricultural products. Southeast Asia is really a geographic region in name only. The nine countries that comprise what we call Southeast Asia are diverse. They are diverse in their people, they are diverse in part in their products. But they all have the tropical, monsoon climate, and all of them are concerned with a primary agricultural or raw-material production. Seventy-five to eighty-five percent of Burma's exports are in rice. Sixty-five percent of Viet Nam's exports are in rubber. Thirty to 40 percent of the Philippines' export trade is in copra and coconut oil.

Overall, in these nine countries, 65 to 85 percent of the active labor force is engaged in agriculture. Yet we have the paradox that since 1945 these new countries have put heavy emphasis on industrialization, in some cases to the great detriment of their basic agricultural economy. The problem of the basic agricultural economy is essential, I think. It is the primary requisite for any kind of economic progress or any kind of economic development.

Somehow or other these nine countries have to work out an economic system balanced between agricultural production and industrial development that will enable them to become viable or fairly stable nations. This is most difficult. It has been made more difficult by their own

independence. Prior to the war, each of these countries except Thailand was tied to a European power or to the United States, in the case of the Philippines. Consequently, the economic ties with the metropole country enabled the colony to absorb the shocks or enabled the metropole to help the colony to absorb the shocks of fluctuations in world market prices for the primary products, like rubber, copra, rice, and so forth.

The Burmese never had to worry about rice exports prior to 1948 because, as a part of the British Empire of India, and linked with the British Empire after 1935, Burma rice went mainly to India. There were no problems of selling, buying, and negotiating rice contracts, trade, and so forth.

Furthermore, once these countries had become independent, two things happened: They were wholly unprepared to negotiate in the world market for their primary export products. The Burmese assumed that everybody wanted to buy Burmese rice, and they were suddenly shocked to find that they were competing with Thailand, with South Vietnam, and in part with Cambodia and other countries for the sale of their export rice. And yet rice was their earnings. Rice represented earnings with which they could buy machinery and buy the other products they needed for industrialization.

Then came the Korean War. The price of rice went up. All prices went up. For example, in 1950, between July and January 1951, rubber went up from 50 cents Malayan to $1.71 Malayan. Most of the countries

rode the Korean War inflation until the truce came and the bottom dropped right out of the rubber market. The net result was that these countries woke up to the harsh reality of trying to manage their economies in a highly competitive world without the help of their former colonial powers.

Now, this means that in a large part of Southeast Asia the small farmer, the small rubber planter, the rice farmer, and the coconut grower, prior to the war, could appeal to the colonial government for help, and the colonial government had resources at home with which it could help to cushion the shock of fluctuating world prices.

Now, in the case, say, of the United States, the wheat farmer in Iowa or Illinois and the Iowa corn farmer can appeal to his Congressman if he wants help to protect the prices of wheat or corn. But the small producers in Southeast Asia have no U. S. Congressmen. When the United States starts playing with its rubber stockpile and the rubber prices start to fluctuate, or the bottom drops out, or when the Indonesian government decides suddenly to cut trade relations with Malaya and Singapore, then the small farmers--and a large percentage of the population are small farmers--do not have the opportunity and do not have the real power to put any pressure on anybody.

Therefore, what I am saying is that a basic problem for economic development in this area is the problem of how these nations can usefully develop further their export markets for their primary products. The question of whether they should diversify their agricultural production,

of how, under what terms, and the question of how far they should go in industrialization, all of these questions, represent some things which the Economic Ministries of these nations are continually struggling with.

Now, in addition to this, a third factor is what I would call economic nationalism. This is political in a sense. Every one of the countries, or almost without exception, has gotten lured by the idea of economic self-sufficiency. Sometimes I think it is wise to remember that it isn't what people know in terms of facts that counts in politics, it's how they feel.

Now, it doesn't make sense for Malaya to try to become self-sufficient in rice so long as Thailand is producing surplus rice and will sell to the Malayans at a fair price, because, by putting tariffs on rice and stopping that rice import from Thailand, the price of rice in Malaya has doubled. This means that the Malayan government is being unfair to its own people, in that sense.

This is the drive for self-sufficiency. Sukarno, perhaps, in Indonesia, typifies this to the nth degree. He wants to cut off all reliance of Indonesia on the outside world. He wants a big port which will compete with Singapore. He wants self-sufficiency. And yet he does not have the wherewithal to get it.

The Philippines also are tending in this same direction.

Now, a fourth factor affecting the economies and economic development of these areas is the population explosion. Every six seconds--if you look

at your watch and count six seconds--a person is being born in Southeast Asia--17,000 a day, a growth rate in population of 2 to 3 percent per year. If you add the 2 percent rate of increase in China's population, this means that in 20 years Mainland China, plus Southeast Asia and India, will have a population equal to that of the rest of the world today.

Now, we've heard a lot about the population explosion. It's usually talked of in terms of better food management, higher productive rates for agricultural products and food products, so as to feed the yawning mouths of the people. There is, however, I think, another factor, and that is that the population explosion has a certain political effect. As the population increases in the rural areas--and that's where it is doing it because the predominant population is rural--the farmers are becoming vocal and in many countries voters. They are objecting to industrial development which does not benefit them. It's fine to have a steel mill, it's fine to have a luxury hotel in the Capital, it's find to have an international airline, it's fine to have gleaming hospitals in the cities, but the rural voters and the rural people who are going to have to pay for all this eventually don't see it that way.

In country after country there is an increasing demand on the part of the rural population for schools, for health services, for education of all kinds, for what we would call welfare services and clinics. In 1958 I stopped in a small town between Juk Jakarta and Jakarta, in Java, and was introduced to the Communist mayor of the town. We sat down over

a nice, cold bottle of Heineken's beer. I kidded him a little bit. I said, "Well, I see your communism doesn't prevent you from drinking capitalist beer." He looked at me in disgust and said, "Do you know of any better beer than this?" I said, "No, frankly, I don't. It's very good beer." I said, "You're the mayor. Every mayor has a problem." So he told me his problem. What he told me was in terms of what I just described. He didn't have enough health services. He had a public health doctor but the doctor didn't have medicines. He had a mosquito spraying team trying to check malaria, but they ran out of chemicals. He had a school house built and no teachers. I asked, "Why?" He used the Indonesian equivalent of damn and he said, "It's that government bureaucracy down in Jakarta." I said, "Well, what are you going to do? When you take over this is all going to change, isn't it?" Well, he looked around a little bit and then he grinned. He said, "We will be just damn bureaucratic as the rest of them."

I tell that story simply because I think it illustrates two things: It illustrates what the population explosion means in the rural areas. It illustrates also the fact that in parts of this area and in Indonesia where the Communists are particularly strong, that the Communists have begun slowly to realize that you can't solve everything by announcing that you are a Communist state. I'll comment on that further in a little bit.

What I have tried to do is to give just four aspects of economic development or, in a sense, problems of economic development. There

are many others, but in the time allowed, I don't want to go into them, but I want to do this to set a certain framework for what I say next. When we look at the nine countries in this region in totality, not just in terms of the economics of development, I think we must look at them as to their vulnerability to Communist influence and domination and as to the essential ingredients for real progress.

Now, I would therefore state a proposition. If you are going to take a look at these nine countries, try to measure what has happened since 1948, for example. Where are they going? Are they doing better or are they doing worse? What are their chances? Are they going to go to pieces? I think we have to start with some sort of yardstick and I propose this kind of yardstick as a measurement in terms of the general scope of this lecture.

I would assert categorically that economic progress, economic stability or viability, in every one of these nations depends primarily and first off on political stability. Without political stability economic progress is not possible. What do I mean by political stability? I would include these incredients in political stability: One, a strong political leadership. Two, internal security, law and order. I would pur this three, perhaps--it's related--an acceptance generally by the people of the government's authority. Fourth, an effective administrative machine. And, five, an adequate or perhaps even more than adequate system of communications throughout the country.

Now, you'll notice I have not said anything about democratic government or elections or voting. I don't know how long it will take for

the roots of democratic government to get fertilized in these countries. In some countries progress is made toward parliamentary government. I would simply submit that, with the problems most of these countries face, it is easy to see why their leaders tend toward socialist states or tend toward Marxist solutions, because they must have managed economies. They feel this, rightly or wrongly. It will be some time, I think, before they are fully disillusioned, because I think they are going to be disillusioned. Nevertheless, when I say political stability I include the five ingredients. They are interrelated. You can't have political stability with only one. You must have, I think, all--strong political leadership, internal security and law and order, acceptance of the government's authority, an effective administrative machine, and good communications.

Now, if we take this as a yardstick, I would repeat that you cannot have economic development until you have these ingredients present in the government. You can have economic difficulties and the country will not be vulnerable to communism, if you have these ingredients. No country in this whole region of South and Southeast Asia has tougher economic problems than the country of India. People starve in India. Village development slows down. Indian population increases so that Indian productivity barely meets the population increase. Indian administrators get terribly discouraged. Do you have communism? No, you don't. The Communist Party in India is weaker today than ever before. In the one or two places where they have been partly successful in India, they

have broken down because they proved they couldn't run the show as well as the Indian government.

And I would say that the Indian government meets reasonably well my ingredients of a stable government or political stability. There has been strong political leadership. There has been internal security and acceptance of the government's authority. There has been an effective--notice I didn't say efficient, because that connotes things in our minds; I said effective--administrative machine, not as effective as we would like to see it in our terms, perhaps. It's very slow and cumbersome, but it has been effective, because things have been done.

I would say that empty stomachs in Java--and there are going to be a lot of them this year--are not going to make Java go Communist. What will make Java go Communist is political instability. Now, Java, or, I should say, Indonesia, doesn't have in its government all of these ingredients. It has a certain amount of strong political leadership, but that rests on one man. It does not rest on a machine or on a cadre of good men. It has internal security to a considerable degree. The acceptance of the government's authority in Indonesia is withering. And it has a most ineffective administrative machine and poor communications throughout the islands of Indonesia.

Therefore, it might be useful, I think, to take a look at these nations in a kind of balance sheet, in the terms or the yardstick which I have given. I think we can do it something like this (going to the blackboard) as a summary. If we take 1948 as a starting point, because,

except for the Indo-China states, this was the date at which most of the countries in the area were independent either just prior to or about that time. If we take another date, 1955, or 1958, for reasons which will be obvious, 1960, and 1964, and if we take this as a score of 100 with zero starting here, I think we can reasonably assume that when I say we measure the progress in these countries in terms of political stability, under the listings I gave, what we would like to see is about 80 percent or somewhere around in there. We know they are not going to reach 100 percent anyway.

If 80 percent is where we would like to see them go, then we might take a measure of these various countries, and it would seem to me that we would put somewhere around the figure, 30, Thailand, at the start, Malaya, and the Philippines. Now, if we look at this picture in 1948 and if we try to graph it--and this is obviously a rough graph--Thailand would look something like this. Whether absolutely accurate or not, there has been a steady progress with respect to political stability. Whether it is up to this point or not depends in part--there is a question mark--in terms of the strength of the present government of Tsarit Dai.

Malaya would start something like this, because, until nearly about 1956, the Malayans were struggling against Communist insurgents with the help of the British. Then if you take 1957, the date of Malayan independence, you would have a line something like that. Malaya is a country which has proved that it can manage its economic development with a system of parliamentary democracy. There is a rooting of local self-government in Malaya which in many ways has been astonishing, and

if Sukarno does not succeed in his plan to crush Malaysia, and if the present leadership in Singapore and in Kuala Lumpur remain, then you can expect something like this--in other words, going concerns, slowly making progress but making steady progress.

The Philippines would have ups and downs. Without giving exact dates, obviously the Philippine government had a period when it had to recover from the effects of the war, and consequently, then, the period when it went up, in terms of Magsaysay's Presidency. This doesn't exactly illustrate this, but, if you look at the Philippine government at the present time, it is at least my opinion that the Filipinos have finally begun to develop the idea of the two-party system, which is working to the extent that, unlike 10 years ago, it is necessary for any candidate for the Philippine Congress or for the Presidential or the Vice Presidential candidates to get right out into the barrios, to get out into the boondocks and talk to the people. The people want them to, and if they don't they won't get elected.

The local self-government in the barrios has developed now to the point where it is workable, where people are learning and have learned to manage their own local affairs. This to my mind again is an essence of political stability. There is law and order in the Philippines. The authority of the government can be made clear and is made clear and is accepted by the people throughout the Philippine Islands, in my opinion.

Now, those are three. Let's take Burma next. Burma started almost close to zero. Burma was perhaps more devastated by the war than

any country in Southeast Asia, not excluding the Philippines. The economy was absolutely ruined by two waves of warfare, the initial wave of the Japanese invasion, and then the reinvasion of the Allied Armies. All communications, all transportation, docks, and everything, almost, that made for any decent economy, were destroyed. Two million acres of rice paddy lands went out of production during World War II in Burma.

The new Burma government which took over was nationalistic. It cut its ties with Britain and refused to join the Commonwealth. Prime Minister U Nu was trying to run a very shaky coalition of almost every political spectrum, from the far right to the far left, the Communists. Within a year after he took over as the head of the new government he had an insurrection on his hands. He had in fact five insurrections on his hands, five insurgencies, a Communist insurgency, a minority insurgency by the Karens, and various other shades of insurgency--bandits, and so forth, in between. So from 1948 until 1955 the course of Burma would look something like this. The Burmese were doing all they could to hang on, and the government was doing all it could to hang on by its teeth.

Then you had a spurt upwards, between 1855 and 1958. At the start of 1958 the political machine of U Nu blew apart and the country was practically ready to engage in civil war. There were 10,000 armed men in the capital itself. Every politician had his pocket army. It was in September 1958 that General Ne Win staged his first psuedo-

constitutional coup d'etat, a very quiet one, with no bloodshed. His directive was to be a caretaker government, to restore law and order, and to get ready for elections. He did this. So between 1958 and 1960 Burma's political stability went up. There were elections in February or March 1960. U Nu won by a landslide, but elections were fairly free. The country was orderly and peaceful. The authority of the government did extend throughout the area, and so everybody was reasonably happy. Then, with U Nu having a landslide election, the people sat back to see what the civilian government, freely elected, could do.

Two years went by. In March 1864 General Ne Win took over for the second time and this time with no directive as a caretaker government. It often amazes me how little attention we pay here in the United States to what happened after March 1962. General Ne Win followed the Communist idea of liberation, that is, liberating the country from Western influence, by kicking out all the private American activities and reducing the U. S. government and British government activities in the country. The Americans had to leave. The Europeans had to leave.

General Ne Win then announced that Burma was going to have a new wave of socialism, and anybody who objected was not to be allowed to say anything. In 12 months 2500 politicians, members of Parliament, and all the members of the previous Cabinet, and U Nu, the former Prime Minister, were put in jail or under house arrest, and that's where they are now. This includes right, left, and center politicians.

Two days ago General Ne Win issued another decree, abolishing all

political parties and said there was only one political party, the Burmese way-to-socialism party. Anybody who even murmered against it or tried to organize a political party or maintain connections with a previous party would be subject to 5 years in prison and $10,000 fine. Well, Ne Win has got the country control. There's no question about it, he is the government. By ousting the more moderate and more sensible military around him the general estimate of Burma's economy at the present time is, it is in a shamble. It is going almost the same way as Indonesia.

Burma and Indonesia are two examples here. If you take the period when the Indonesians were fighting the Dutch and finally got their independence, and then you go along up and you get to 1958, this was when the Indonesian government decided to confiscate all Dutch property, nearly a half-billion dollars worth of investments of the Dutch, kick the Dutch out, abolish the Dutch shipping concerns. From that time, 1958, Indonesia's political stability, along with its economy, has gone down hill.

The government exists. Sukarno can now fly his own planes, instead of chartering Pan-Am planes. Sukarno can still go around the world and go to Tokyo and take trips. But nobody can pretend that there is political stability in reality in Indonesia.

Now, this leaves, therefore, Thailand and the Indo-China states. There I will not try to add to the graph, because I think I can talk about it just as easily. Obviously, the situation in North and South Vietnam is different. In one sense there is political stability in North Vietnam,

the Communist Vietnam. There is strong political leadership under Ho Chi Minh. There is a reasonable degree of law and order. There is forced acceptance of the government's authority. I am not sure there is an effective administrative machine. The more one learns about Communist administration the more doubt one has that you can have an effective administrative machine under a Communist plan of economic development.

Obviously, North Vietnam is handicapped by the fact that, due to the split between North and South, you have the North really with the natursl resources, with coal, particularly, and industry, but short on food, and you have the South, the rich food-producing area, and the two, of course, are at war. Consequently, the North has suffered from its inability to draw on food resources as it did prior to the division of Viet Nam. And certainly Communist China has very little surplus food that they want to give North Vietnam. So the economy is shaky.

On the other hand, with a strong Communist government there is some development going on. South Vietnam--and I am sure you are familiar with it and have heard lectures on it--certainly fits the criteria. I think that the economy of the country can be made viable if the political ingredients I indicated come about. There is some evidence that in the latest plan which has been released under General Khanh there is a recognition that communication and a strong administrative or an effective administrative machine are essential to the political development of South Vietnam.

Laos is divided, and it's almost difficult to talk about it as a country. It's divided three ways, in a sense. It's divided in the Pathet Lao territory, which is controlled by that group supported by North Vietnam. It is divided in other ways. It is not a very large country, and certainly we cannot say that its government is very stable.

Cambodia has a strong-man government. The government probably qualifies as far as my ingredients are concerned. It qualifies, and therefore Cambodian economic development has gone ahead. We can graph this for Cambodia (going to blackboard). It would start out a little higher than Burma, because it was not affected by the war. It would start somewhere in here and would probably show a certain slow but steady progress to somewhere in here. But, again, the intangible ingredients of policy are in question. There is Prince Sihanouk's flirtation, or perhaps more than a flirtation, with Communist China and his desire to be economically self-sufficient. In part this doesn't make much sense, because it means expenditures which the Cambodian government cannot afford in order to develop both industry and agriculture and make unnecessary trade with other areas.

So here you have a picture, therefore, which does not look as good as it did in 1958 or around 1960. Too many of these lines tend to level off or go down.

I would assert that there has been a steady erosion of Western influence in Southeast Asia since 1960. This has been partly, or in a considerable respect, due to the change in Communist China's policy which

took place in the period from 1958 to 1960. The Chinese Communists in Peking decided in this period, as you will recall, that the socialist camp at that time had tipped the balance in their favor. Scientific and technological advance was, according to Mao Tse-tung and his cohorts, in Peking, the key to the future, and that the Soviet Union and the Communist bloc had the advantage. They convinced themselves of this. I think they are still convinced of it.

Along with this the Chinese Communists also were convinced that they alone, not Moscow, had the answer to the development of agricultural countries, that theirs was the agricultural revolution.

Let me just make one or two points quickly in summary, so as to leave time for questions. The danger of a Communist threat, in my mind, lies principally in infiltration, subversion, and the kind of proxy wars of liberation now going on in Laos and in Viet Nam. The danger is enhanced by the fact that we will probably not have direct confrontation with Communist China but that Communist China will be involved in civil wars, and so will we.

The net result is that we have chosen Viet Nam, particularly, as the test case. The Chinese Communists have also chosen Viet Nam as the test case. Apart from that, through no choice of ours directly, Malaysia and Indonesia, confronting each other, have decided that this is a test case. We have two test cases there in Southeast Asia where American long-range and short-range interests are directly involved. Whether Sukarno succeeds or not is directly pertinent to our own interests. We

have decided to support Malaysia. Sukarno, the revolutionary, cannot stand to see the Malayans, Filipinos, and Thais making economic and political progress, slowly but steadily, not dramatically, and not in the revolutionary style to which he has been accustomed.

The Chinese cannot stand to see the United States succeed very well in South Vietnam. How much they will be able to do about it is something on which we have only a clouded crystal ball.

Thank you very much.

COLONEL SMITH: Professor Johnstone is ready for your questions, gentlemen.

QUESTION: Dr. Johnstone, you mentioned early in your talk that emerging countries were pretty well protected economically by the mother countries when they were colonies against price fluctuations on primary commodities. You said the mother countries had the capability to help the colonies. My question is: Did they actually do a good job of helping these countries, or did they neglect this job?

DR. JOHNSTONE: I would say on the whole they did within the limits of their own capabilities. The Netherlands, for example, could not manipulate world rubber prices. To the extent that prices fell and affected the small rubber holders--or in case of the British in Malaya--the home government could help cushion the shock a little bit, sometimes in the case of a moratorium on loans to the farmers, or local actions which would merely cushion the shock of the falling prices.

On the other hand, during the depression, every colony, like all the other countries, suffered from the depressed prices during the period from 1929 up into around 1937 or 1938. On the whole, however, there was an awareness in all of the colonial governments of the problem of territories producing primary products only--monocultures, almost one-crop economies.

Now, one can argue, as the nationalists do now, that the colonial governments did not do very much to change the economic picture. Here you had a dependence which was not too bad during the colonial period, because the colony was a part of a larger structure. Once they became independent these countries were in the soup, in a sense. I don't think you could have expected the Dutch, the French, the British, or even the Americans, for that matter, to have gone about shifting the whole nature of the economy of a colony preparing for independence.

If we look back historically, preparation for independence was almost always seen in political terms. Preparation for self-government was always seen in political terms, not economic terms.

QUESTION: Sir, would you forecast that these emerging nations will have to go over to manufacturing, to offset the reduced prices on their commodities?

DR. JOHNSTONE: They are trying to do that. Take Burma for example. The Burmese have trouble getting rid of their surplus rice crop. That means their foreign exchange. But, you see, they are caught, in this sense: Unless the Burmese sell their rice they don't have the money to pay for

the machinery for the factories they want to put up, such as sugar mills or textile mills, or cement factories, which in themselves then reduce their dependence on foreign exchange.

Now, the Burmese government is taking large credits from Communist China for the construction of textile factories and cement factories and sugar mills.

In the case of the Indonesians, the Indonesians under Sukarno obligated themselves up to $1 billion to the Soviet Union for their Army, Navy, and Air Force equipment. Seventy percent of Indonesia's foreign-exchange earnings go to pay for that Soviet debt. Moscow has been a very tough, capitalistic banker on that debt. The net result is that Indonesia is left with only 30 percent of total foreign-exchange earnings to purchase rice to feed her people or other things which she needs.

So that just going over to manufacturing doesn't solve the problem. The real problem is how you get rid of your primary product and work out a means of cushioning fluctuations in world market prices. This has been a continuing problem. It's not just the problem of Southeast Asia. It's the problem of every one of the African countries. It's the problem of every primary-agricultural country.

To illustrate this, 30 percent of American productivity goes into a list of about 12 primary products--automobiles, refrigerators, appliances, and various things like that. Now, let us assume for the minute that that amount of our total national product could not be used at home and had to be sold abroad. Well if the United States had to dispose of

30 percent of its total national product abroad to get going, we'd have a really tough time. That's an illustration of the problem these countries are having.

QUESTION: Dr. Johnstone, do you see any desirability for or feasibility of some sort of Southeast Asian economic community, to try to alleviate some of the common problems?

DR. JOHNSTONE: I think it is desirable. I think it is feasible under certain conditions. If you look at the recent history of this territory you find that in 1960 Thailand, Malaya, and the Philippines joined together in an Association of Asian States, ASA. They have held two annual conferences. This is primarily an economic association of these three countries. They invited Indonesia and Burma to join. Both Indonesia and Burma refused. So far, what they have accomplished is an attempt to have the economists of these three nations really dig into this problem of the disposal of primary products and how far these three states' economies are complementary. Can Thailand usefully exchange goods with Malaya and the Philippines, and vice versa, looking toward not a customs union--that's away in the future if at all--but some sort of economic cooperation? The success of this, the ease with which these three nations reached agreement on what they were going to do and how they were going to study conditions, and the amount of enthusiasm which was engendered in the Philippines, Malaya, and Thailand about this grouping were what put the firecracker under Sukarno. He just can't stand to see this kind of rival coalition.

Really, I think Sukarno is a good, oldfashioned empire builder of the nationalist type, and he knows that away back, a number of centuries ago, the Javanese Empire of Shriva Jaia extended into Malaya and all of Borneo, more or less, and he would like to recreate it. I don't think he can stand any rival, in other words. He's not a very good cooperater.

QUESTION: Doctor, when Sukarno finally does decide to start his push against Malaysia, which evidently he will do, and since the British evidently are leaving a vacuum down there, and there won't be anybody else, what action do you think we should take to stop this? How far should we commit outselves? How important is it?

DR. JOHNSTONE: Well, first of all, it is not quite a vacuum. The British are committed to the defense of Malaysia and so is Australia, and so, by inference, are we. So there is a commitment already. There are British troops patrolling the borders against the guerrillas in Borneo, right now. There are two large bases in Malaya where the Australians are training the Malayan Air Force and training the Malayan Army. There is a commitment. We have, by our own statements in the last trip which Robert Kennedy took, made it quite clear that the United States will back Malaysia against Sukarno's attempt to crush it. Therefore I think we are committed. Personally, I think we have to stand by that commitment.

My own view is that the continued existence of Malaysia as a free nation in Southeast Asia is just as important as the continued existence of South Vietnam. Now, we may not like the extent of the commitment but the choices are all evil choices. We have no solutions for these problems.

We are faced with tough, hard, and rather evil choices.

STUDENT: What effect do you think Senator Fulbright's latest thinking will have on our activities out there?

DR. JOHNSTONE: Any time Senator Fulbright or any other Senator makes a speech in the United States, in which he takes a different view than the Administration's, he always gives aid and comfort to everybody who doesn't like the United States overseas. We have to recognize that most people do not recognize one fact about the American way of life, in my opinion, and that is that in the United States it is a cardinal right, almost a constitutional right, of every American to be an expert on foreign policy and to say what he thinks about foreign policy at every time and on every occasion when he wants to, whether he is a Senator, a private citizen, or a movie star. This is not always understood. Therefore I think it will tend to confuse.

However, we may regard Fulbright's efforts and his speech, he will tend to confuse some of the people. But this is something we have to live with.

QUESTION: Dr. Johnstone, would you discuss Sukarno's future policies in regard to Timor and West Irian? Will these two countries possibly become problems in the international scene?

DR. JOHNSTONE: Sukarno has got what he regards as his rightful territory in West Irian. That is, he has never said that the rest of that island in New Guinea, part of which is Australian territory and part of which is under trust territory--under the U.N.--should be turned over to him. It would be very difficult for him to sustain any claim to that

territory. So I think that generally the West Irian situation is clarified. Sukarno has taken on the obligation which the Dutch should have let him have in the beginning, in my opinion, because it didn't do the Dutch or anybody any good for them not to turn that part over to him. It was Dutch territory.

As far as Timor is concerned, there again it is different. Timor, the Portuguese half of Timor, was never controlled by anybody but the Portuguese. My own feeling is that Sukarno is a smart enough politician to know that he is not going to get any mileage out of attacking the Portuguese on Timor. In fact, I was told by one Portuguese official, when I asked him what he would do if Sukarno decided to take the rest of Timor, "I hope we would be smart enough to just let him have it." I think Sukarno wouldn't get any mileage out of it. Nobody is going to rush to the Portuguese defense of Timor. It wouldn't do him any good. And Sukarno is a man who wants to get political mileage out of anything he does. Therefore, he wants to show that he is going to be top dog in Southeast Asia. That's my opinion.

QUESTION: Doctor, we see Australia looking to the North somewhat apprehensively in terms of population growth. At the same time they appear to recognize perhaps a greater future for themselves, both economically and politically, in closer affiliation with this part of the world. Do you feel that their apprehensions and their hopes are compatible?

DR. JOHNSTONE: Yes, I think they are. I think the change in Australian attitude helps. I was in Australia in 1939. I had just come

from the war zone, the China-Japanese War, and I was talking to some various groups in Australia about the threat of Japan. They couldn't have been less interested. Finally I got kind of provocative. I remember at one large meeting in Sydney I said to the audience, "All right, what would you Australians do if the Japanese came down and took Indonesia?" I got a laugh from the audience, saying, "Oh, that's impossible." Then somebody said, "Well, but Dr. Johnstone, after all, there is the American Pacific Fleet, and we would just call for help right away."

This was the attitude just before the war. There has been a complete and almost total change now in Australian national and foreign policy. Australia is one of the exciting countries in that part of the world. The Australians have willingly, in the last election, supported their Cabinet in undertaking international responsibilities. They have become a more active member of the ANZUS Pact, along with us. They have undertaken economic responsibilities. They have been training, for example, 1200 Indonesians in technical training schemes under the Columbo Plan. They recognize the problems they have with Indonesia and the possible Communist threat there.

Here is a participation by this large, growing country which I think we should welcome. I think it is all to the good. They seem to be resolving some of their internal contradictions on policies.

QUESTION: Doctor, I wonder if you could evaluate the significance of De Gaulle's moves in Southeast Asia, particularly his recognition of Red China and his traveling to North and South Vietnam.

DR. JOHNSTONE: Well, I am sure you must have heard the story of De Gaulle's only one election in which his aide rushed in to him. De Gaulle had not heard the returns and he called for his aide and the aide came in and said, "My God. We've won!" De Gaulle replied, That's right. Just call me General."

I think that's a fair answer to De Gaulle's attitude. It's one thing to recognize Communist China and it's another thing to derive any benefit from it. It's one thing for De Gaulle to announce a neutrality or neutralization idea for Southeast Asia. It'a nother thing to put it into effect or to say how you are going to effect it so as not to turn the area over to the Communists. It's one thing to say that France must restore her position of presige in this part of the world. It is another thing to say how you are going to do it and under what circumstances.

My view therefore is that I don't get excited about this as far as De Gaulle is concerned. I haven't yet seen how he is going to do it. Therefore I think it's an open and shut case. I can come back her this time next year and you can ask me the same question, and I might be able to answer whether he has done this, this, this, and this, and whether France is coming along, or, as I suspect, I might be able to say, "Well, how long ago did he do these things? And what has happened since? Not much."

QUESTION: The contention is that one of the problems of Burma, for example, is that it is producing too much food and cannot dispose

of its surplus to countries in that part of the world, and that formerly this was disposed of in India. Well, India is suffering from periodic famines and has some foreign exchange. Do you see a possibility of Burma and the other rice-pool countries getting a reasonably well behaved, non-acquisitive customer for their goods?

DR. JOHNSTONE: Burma's rice exports are about 1,800,000 tons. This is still less than what they were exporting before the war. They have had two bad years. They've had two very rough monsoons when a lot of paddy lands went out of production, although they say that their current crop is almost up to 2 million tons. Burma sells about 300,000 to 350,000 tons to India. This has been on a 5-year arrangement, with a good price for it. Burma has been selling nearly that amount to Indonesia, but the Indonesians don't have the foreign exchange to pay for it, and I think they have had to cut their contracts with Burma down to almost 100,000 tons, purely for lack of foreign exchange.

Butma has been selling about 300,000 on a barter deal to Communist China. That is supposed to be up to 350,000 tons this year. This is under a trade agreement which is virtually a barter agreement. China gives technicians and construction materials for these factories they are going to put up, and so forth.

So that the Burmese have not had too much difficulty disposing of their surplus rice. Well, take all of the countries of Southeast Asia. They all, except for North Vietnam possibly--but that is not too badly off--are surplus food producers, except in Java, where there is this fantastic

population of 103 million people in a territory the size of California. There are 103 million people in the Island of Java and the island is just about the size of California.

Indonesia as a whole is a surplus food producer, but the inability of the Indonesian government to arrange distribution, even on Java, where people are starving, with a surplus of rice 20 miles away, is evident.

So that part of the problem is whether or not these countries can get together and whether they can get together with the primary demanders of rice and perhaps work out some arrangements to partly stabilize, at least, this world market for primary products.

Just about the time the Burmese thought they had it made the United States started to dump rice or sell rice at a lower price. That was one of the reasons the Burmese got mad with us in 1953.

QUESTION: Doctor, I note that you have written extensively on Japan. Would you tell us what part you think she will play in the future development of Southeast Asia?

DR. JOHNSTONE: The japanese have only in the last 3 or 4 years begun to look at this area again. Interestingly enough, very few people have tried to do any kind of summary about Japan's postwar role in this part of the world. The last time I was out in this part of the world was in 1962, in January and February. I was interested in the larger number of Japanese I saw on the planes and in the cities, clear from Saigon away around through India and Pakistan. These were Japanese trade missions, Japanese groups.

In the last three years Japanese private industry--I think it's 108 firms--have invested $175 million in Thailand, Malaya, mainly, but also Pakistan and a little in Indonesia and in the Philippines. That's quite a sizable private investment in three years' time.

In addition, the Japanese have been providing reparations to Burma, Viet Nam, Indonesia, and they are still negotiating with the Philippines. This is rather large-scale aid. The reparations to Burma total $250 million, and that to Viet Nam is somewhat higher. To Indonesia it is approximately the same. This is still under negotiation.

So that Japan has been developing a postwar trade role in this area. I would expect them to continue to expand. I would expect that the Japanese will be able to furnish technicians, technical assistance, machinery, and all kinds of materials where they can make the necessary viable arrangements in terms of trade with these countries. Even in two years you can see a vast change in the transport situation in Rangoon.

When I left Burma in 1959 they still had the little bicycle or little tricycle carts carrying people around, with boys pedalling the tricycles which had little seats on them. The Burmese were still predominantly using World War II British trucks for most of their trucking. There were some German Diesels that had been imported, but they couldn't afford many.

I was back in 1962, in about three years. All the little bicycle carts had been replaced by Japanese motor bikes. There were Japanese trucks under the reparations agreement, Japanese engines, Diesel engines,

and cars on the railway. I would expect that wherever there is a relatively stable government and stable economy the Japanese will find ways and outlets for their goods and take in return the raw products of these countries.

I would consider Japan's role in the economy of this area and eventually in the strategy and politics of the area as quite important. I don't know whether that answers your question.

STUDENT: It answers it very well, except that I wonder if you could comment on the political aim which Japan might have, considering their prewar policy.

DR. JOHNSTONE: Well, I think that nations don't always put the clock back, as, let's say, Hitler did. I think he in a sense put the clock back. I think there is a possibility that under certain conditions which we might not foresee now you might get, as an offset to a very left-wing strength in Japan, a return to the ultra-militarism, the ultra-nationalism of the prewar period. I think that is a possibility that one cannot rule out. I don't see it at present. I don't foresee it, because I think that Japan is so committed to a free enterprise or what we call a capitalistic economy, and because they have made such a success, thanks to our help.

For example, there are two countries in Aisa where land reform has been successful beyond any expectation. One is Japan. The other is Formosa. Land reform has not succeeded anywhere near expectations in any other country in Asia, including Communist China. The Japanese

have a viable, going, vigorous economy. I don't foresee in the immediate future any change in what one might call a rather middle-road, somewhat convervative now and then, and perhaps a little more liberal now and then, kind of government.

The Chinese Communists have not succeeded in wooing the Japanese to their side, and the Japanese are too-hardheaded businessmen to really be lured by false promises of trade with Communist China. Trade with Communist China is an illusion. The old British theory was that if you got the Chinese to put on two more inches to their long, cotton gowns this would save the necks of the Lancashire mill owners. That was an illusion. Trade with Communist China is equally an illusion. We couldn't possibly begin to use up enough pigs' bristles from Communist China, as we did before the war, to count for very much in terms of trade. Pigs' bristles before the war were a major import into the United States. We don't need them now. We have synthetic, nylon, tooth brushes.

QUESTION: Is the discrimination in Southeast Asia against the overseas Chinese hurting the economy and is this a poor move on the part of these countries?

DR. JOHNSTONE: It varies from country to country. In Burma there is a small group of Chinese only about 300,000. They are now riding high because they have adjusted to the Ne Win government and are being supported heavily by Peking. They are in a pretty good position. The Ne Win government doesn't dare touch them. The Chinese millionaires in Burma were ousted in 1958069. A lot of the Chinese nationalist men who

were wealthy, many of whom I knew, were kicked out of Burma under the first Ne Win regime. It didn't hurt them any. They saw what was coming and they had stashed away enough in Hong Kong and other places to take care of themselves. I didn't feel sorry for them.

So the situation in Burma is slightly different. In Thailand there is a certain amount of discrimination, but the Thais and the Chinese adjust pretty well to each other. Many Thais have told me that they weren't really too unhappy with the Chinese business community, that is, the merchants, who have considerable control of retail merchandizing, as they do in most of these other areas. They are not too unhappy about this. They say, "Well, it hasn't hurt us, really. We get along with them all right." The situation seems to be pretty good there.

In Indonesia it's a tough situation, because the Chinese are torn in Indonesia between Communist Chinese appeal and the Indonesian government has not liked the appeal that Communist China has made and it is trying to force the Chinese to become Indonesian citizens. There you have to distinguish between what I would call old-generation Chinese in Indonesia--there are 2.5 million of them, not all old-generation--and the newer-generation Chinese, who speak Chinese and who have made a trip or two to Communist China, the younger generation. They are unhappy and they are uncertain. The older-generation Chinese don't even speak Chinese, they speak Indonesian. So long as the Indonesian government doesn't start confiscating their retail businesses they won't be unhappy. They have put restrictions on the Chinese and this has hurt the Indonesian

government. The Chinese could be won over to cooperating with the Indonesian government, in my opinion, and would be extremely useful to them.

The one place where this has happened is in Malaya, in Singapore, where the Chinese communities have made their peace with the new order, so to speak, and are profiting by it. I used to tell some of my Burmese friends who had gone to Communist China and had come back full of wonder because they had never seen people work so hard and they had never seen people so well disciplined, "Of course, you didn't see the Chinese before the war. They were always well disciplined, and they always worked hard. If you go down to Malaya you can see how the Chinese act and get along under a free government."

You can go into Malaya today and see just the genius of the Chinese, enough genius so that they have looked ahead, by and large, and they are working with the Malayan government. The Chinese are active in politics in the coalition party. They are learning Malay, the language, the national language. They have become Malay citizens. There there is an adjustment that has been made.

It's a very mixed picture. We cannot make a blanket generalization, in my opinion, as to the Chinese in Southeast Asia. It's easy to say, "Oh, 12 million Chinese--if we don't watch out they will all turn to Communist China." That's just nonsense, because it's mixed up in terms of country by country and even communities of the Chinese within each country.

COLONEL SMITH: Dr. Johnstone, we are most grateful to you for a provocative and informational lecture.